

1                   COMMISSIONER LOESCHER: Thank you very  
2 much.

3                   CHAIRPERSON JAMES: Moving along, we are  
4 fortunate -- we were fortunate at our last meeting to  
5 hear from the original sponsors of the legislation  
6 which created this Commission. Let me emphasize yet  
7 again that they were invited because they were the  
8 sponsors of the legislation and it was important to  
9 hear from them. Today, we are joined by a member of  
10 Congress who has had many constituents with firsthand  
11 knowledge of the social and economic impact of  
12 legalized gambling. Senator Richard Bryan, a native  
13 of Southern Nevada, was re-elected to a second term in  
14 the United States Senate on November 8, 1994. He has  
15 also served as Governor of that state. For more than  
16 a decade, he has been an ardent advocate for the  
17 consumer. He has championed increased consumer  
18 protection, efforts to curb illegal immigration, and  
19 limit federal spending and has participated in  
20 numerous bills related to gambling. I know that this  
21 is, in fact, an important day in your state, Senator,  
22 with the surprise visit of Secretary Pena to discuss

1    what has been an important issue for you. And as a  
2    result of that, I appreciate the sacrifice that you've  
3    made to be here today. Senator Bryan, you are more  
4    than welcome at this point to address the Commission.  
5    Thank you for being here.

6                SENATOR BRYAN: Thank you very much,  
7    Chairman James and members of the Commission. I want  
8    to express my appreciation for the opportunity to join  
9    you today and share some comments.

10               I appear before you this morning not only  
11   as a member of the United States Senate representing  
12   the State of Nevada, but also as a life-long resident  
13   of Nevada, former attorney general and governor of my  
14   state. As such, I have witnessed first hand and  
15   played a role in the experiences that Nevada has had  
16   with the gaming industry. I strongly support the  
17   legal, regulated gaming industry we have today in  
18   Nevada. When properly regulated and in the right  
19   environment, casino gaming can be a positive force in  
20   a community. That is our experience in Nevada.

21               I am not, however, here as a cheerleader  
22   for the gaming industry or to advocate that gaming is

1 good for every community or for every person. Nor am  
2 I here to tell you that there are no problems  
3 associated with the gaming industry. Gaming works for  
4 us in Nevada, but that does not mean that gaming can  
5 work everywhere. Gaming is not the right fit for  
6 every community and should be permitted or not  
7 permitted based upon the views of local residents. In  
8 addition, unregulated or poorly regulated gaming of  
9 any sort is a problem. No community should allow  
10 gaming without first having a solid regulatory  
11 structure in place.

12           Before I get into the specifics, I would  
13 like to make some observations, if I may, about the  
14 first meeting of the Commission. My request to speak  
15 at that time was denied. You, the media, and the  
16 public heard from a former senator and a congressmen  
17 who both are avowed opponents of the gaming industry  
18 and would seem to prefer that gambling be legislated  
19 out of existence. I respect their right to that  
20 opinion. However, I do not believe it was in the best  
21 interest of this Commission to hear only one viewpoint  
22 and let anti-gaming rhetoric then set the tone for the

1 kick-off of this Commission's work.

2           As some of you know, I opposed the  
3 legislation creating this Commission. At the same  
4 time, I freely recognize that there are legitimate  
5 reasons to study aspects of gambling, since the nature  
6 of gaming and the technology involved has changed  
7 dramatically. This Commission can provide a service  
8 by objectively examining some of the areas of public  
9 policy.

10           But none of us here in this room this  
11 morning are naive. The drive for this Commission did  
12 not come out of a desire for legitimate study of the  
13 business of gaming. It came from a desire to portray  
14 gambling as evil in all of its many forms and in such  
15 a disreputable light that the gaming industry would  
16 either find itself banned outright or loaded with such  
17 restrictions and cost that it would have no ability to  
18 operate.

19           Consider the first and indeed the only  
20 hearing held in the House of Representatives on  
21 creating a Commission to study legal gambling. The  
22 House Judiciary Committee brought in a convicted mob

1 member to talk about the evils of illegal gambling and  
2 how he and others had conducted illegal gambling. The  
3 entire focus was on illegal gambling. The ironic  
4 thing was that the mob member himself said legal,  
5 regulated gambling was the force that drove out  
6 illegal gambling and all of its unsavory undertones.  
7 But that wasn't the story. The story was that  
8 gambling was horrible and run by the mob. Lost was  
9 the fact that the entire hearing focused on illegal  
10 gaming, which I know we all oppose. No effort was  
11 made to differentiate between illegal gaming, with all  
12 of its unsavory connotations, and legal, regulated  
13 gaming.

14               The Commission has a difficult job ahead,  
15 and I commend each of you for your willingness to  
16 serve and to give the tremendous amount of time that  
17 this task will take from each of you. I urge you to  
18 avoid the temptation to philosophize on the morality  
19 of gaming, as some have urged you to do, or to issue  
20 challenges to other organizations to enter into a  
21 morality crusade. That is not the proper focus of a  
22 taxpayer-funded study commission.

1           Those who oppose gaming on moral grounds  
2 are entitled to advocate that view. Unfortunately,  
3 too often these opponents of gaming have chosen to  
4 pursue their moral agenda through undocumented,  
5 anecdotal, sensationalized rhetoric as opposed to  
6 facts. Congress has called on this Commission to  
7 produce a fair and factual study which will help  
8 public officials and those involved in gaming deal  
9 with some of the legitimate policy questions they may  
10 face in the coming years.

11           Your mandate is to look at all forms of  
12 gaming. This includes state regulated casino gaming,  
13 gambling on Indian reservations, Internet gambling,  
14 church-sponsored and charitable gambling, and state-  
15 run lotteries. I find it ironic that some of those  
16 who oppose casino gambling turn their backs when it is  
17 church-sponsored or conducted by state governments and  
18 state lotteries.

19           I hope this morning to give you a more  
20 accurate portrait of Nevada and the gaming industry in  
21 my state. The gaming industry in Nevada today is far  
22 different from the business that was introduced in the

1 Nevada dessert more than 6 decades ago. If you want  
2 that industry and that Nevada, you will have to go to  
3 the movies.

4           The Nevada casino industry today is a  
5 multi-faceted entertainment industry with its gaming  
6 component regulated closely by the state. More than  
7 25 percent of Nevada's residents work in the gaming,  
8 hotel, and recreation industry. Nevada's average wage  
9 in the hotel, gaming, and recreation industry in 1995  
10 was \$23,134.00, 35 percent higher than the industry's  
11 national average. In 1996, the casino industry in  
12 Nevada paid \$566 million in taxes and gaming fees to  
13 the State of Nevada. The gaming industry accounts for  
14 40 percent of the total general revenue for the  
15 operation of the state. The industry also pays  
16 federal and corporate taxes, just as all other  
17 businesses do.

18           As an aside, largely because of gaming  
19 fees and taxes, we in Nevada do not have any state,  
20 individual, or corporate income tax, which is a plus  
21 for our work force and for Nevada families.  
22 Unemployment in Nevada was 4.5 percent in June of this

1 year --

2 CHAIRPERSON JAMES: Senator, may I  
3 interrupt?

4 SENATOR BRYAN: You certainly may.

5 CHAIRPERSON JAMES: It is very important  
6 to hear what you have to say and I don't like the  
7 distractions. Could we just take a minute and let him  
8 find the problem with the microphone so that we can  
9 hear you?

10 SENATOR BRYAN: I am pleased to do so,  
11 Madam Chairman?

12 CHAIRPERSON JAMES: Did you find it?

13 SENATOR BRYAN: Is there any significance  
14 that Governor McCarthy's microphone has been  
15 disconnected?

16 CHAIRPERSON JAMES: This is the first time  
17 there has ever been a problem with microphones in the  
18 Watergate. What can I say, Senator?

19 SENATOR BRYAN: And hopefully the last.  
20 If I may continue?

21 CHAIRPERSON JAMES: I apologize for the  
22 interruption. Please continue.



1               SENATOR BRYAN: We understand that. As I  
2 was observing, unemployment in Nevada was 4.5 percent  
3 in June of this year, a full half point lower than the  
4 national average of 5 percent. More than 4,000 people  
5 move into Las Vegas and Clark County each month. And  
6 for the last decade, Nevada has led the nation in  
7 population growth. In addition, Las Vegas hosts 30  
8 million tourists annually. Thousands of America's  
9 most prominent businesses, non-profit groups, and  
10 trade associations head to Las Vegas for their  
11 conventions -- The National League of Cities, the  
12 recently held National Governors' Association, the  
13 Disabled American Veterans, Ford Motor Company, Mobile  
14 Oil, the Jewish War Veterans, Habitat for Humanity,  
15 the YMCA of the USA, the National 4-H Council, the  
16 International Union of Police Associations, and the  
17 Southern Baptist Convention. Obviously, a lot of  
18 people think Nevada and Las Vegas are pretty good  
19 places to live, to work, or do business.

20               Let me also make an observation on the  
21 allegations that you have heard that crime and casino  
22 gaming go hand in hand. We need to be realistic about

1 this. The tourist promotion folks would not like me  
2 to say this, but the fact is that high tourist areas  
3 generally have a higher crime rate regardless of the  
4 presence of casino gaming. It is an unfortunate  
5 aspect of the many positive aspects of tourism. Using  
6 the FBI crime index figures for metropolitan areas,  
7 Las Vegas has a lower crime rate than Fort Lauderdale,  
8 Florida, Myrtle Beach, South Carolina, Honolulu,  
9 Hawaii, and almost half the rate of Miami, Florida.  
10 Each of those communities are high volume tourist  
11 areas. None of them have casino gaming. In fact, Las  
12 Vegas's crime rate is only slightly higher than  
13 Orlando, Florida, the home of Disney World. It would  
14 be just as simplistic and inaccurate to say that if  
15 those localities added casino gaming, maybe their  
16 crime rate would go down to the Las Vegas level.

17           The casino gaming industry work force is  
18 a significant and very positive part of Nevada's  
19 economy. Nationwide, the gaming industry creates more  
20 than 1 million jobs, direct and indirect, with casino  
21 gaming providing more than 700,000 of those jobs and  
22 wages of more than \$21 billion. This Commission

1    should look at data which will offer a factual basis  
2    to judge the economic impact of the gaming industry.

3               For us in Nevada, gaming has been a great  
4    success story. Overall, you are going to find that  
5    the casino segment of the gaming industry,  
6    particularly that portion involved in large scale  
7    resort operations and tourist destinations, is a good  
8    employer, a high job potential employer, an employer  
9    who pays good wages and offers better than average  
10   benefits and a good neighbor in the community. This  
11   is the case in Nevada. The casino industry in Nevada  
12   provides good jobs and good benefits for Nevada's  
13   families. Two casino gaming companies were among  
14   companies honored recently at the White House for  
15   outstanding achievements in getting people off Welfare  
16   and into the work force. Most of Nevada's major  
17   casino companies run Welfare to Work Fare programs.

18              One program cited by the White House had  
19   12 percent of their work force from the Welfare rolls,  
20   and 19 percent had been collecting unemployment prior  
21   to getting a job in the gaming industry. I share this  
22   with you because these facts aren't included in the

1    portrait that has been painted of the casino industry  
2    by those who are on an anti-gambling crusade.

3               The gaming industry in Nevada today is  
4    dominated by large, well-respected hotel/casino  
5    corporations which are publicly traded on major stock  
6    exchanges and regulated by the Securities and Exchange  
7    Commission. All Nevada casinos are required to file  
8    numerous reports with the U.S. Treasury Department as  
9    do all banks and other financial institutions. There  
10   is no more crucial state responsibility than to have  
11   good, honest, thorough regulation. Gaming is a cash  
12   business. Any business based on cash, whether it is  
13   a bank or other financial services industry or the  
14   gaming industry should be well-regulated.

15              We didn't start that way in Nevada. We  
16   made mistakes along the way. But today, Nevada has an  
17   exemplary system of regulation. I was Attorney  
18   General when we closed the Aladdin and governor when  
19   we removed the entire ownership and management of the  
20   Stardust, two major strip hotel operations in our  
21   state. I have seen the industry at its worst and at  
22   its best.

1           The gaming industry started slowly in  
2 Nevada, but reached a period of rapid growth in the  
3 1940's. By the mid 1950's, there was a recognition  
4 that if this industry were to be allowed to continue,  
5 the state had to play a stronger regulatory role.  
6 Over the next 20 years, the regulatory structure was  
7 completely revamped. Today, Nevada has a two-tier  
8 system, with a gaming commission as a quasi-judicial  
9 5-member commission granting and denying applications  
10 for gaming licenses and imposing disciplinary  
11 measures, and the gaming control board with 3 full-  
12 time members to handle all administrative and  
13 regulatory functions as well as making licensing and  
14 disciplinary recommendations to the full commission.  
15 Bill Bible on your Commission is the chairman of the  
16 control board and is a respected and tough regulator.  
17 He will be your best source as an effective regulatory  
18 issues.

19           Included in the 1971 law revising the  
20 regulatory structure was this statement, "The  
21 continued growth and success of gaming is dependent  
22 upon public confidence and trust that gaming licensing

1 is conducted honestly and competitively. That the  
2 rights of creditors and licensees are protected and  
3 that gaming is free from criminal and corruptive  
4 elements. Public confidence and trust can only be  
5 maintained by strict regulation of all persons,  
6 locations, practices, associations, and activities  
7 related to the operation of licensed gaming  
8 establishment and the manufacture and distribution of  
9 gambling devices and equipment."

10           Every aspect of the casino operation in  
11 Nevada is closely regulated. Every operator and/or  
12 owner, key employee, and those seeking to buy into a  
13 gaming establishment must be licensed. All gaming  
14 employees must continually maintain an approved work  
15 permit. The average license investigation for a major  
16 size casino takes more than 9 months and costs between  
17 \$400,000.00 to \$700,000.00, all paid by the applicant.  
18 The application process includes extensive background  
19 checks and all those even marginally affiliated with  
20 a new facility.

21           An important element of the Nevada license  
22 process is that the burden of proof is on the

1 applicant. The state does not have to prove that the  
2 applicant is not acceptable. Instead, the applicant  
3 has to prove that he or she is worthy of a license  
4 from the state.

5           The gaming control board has a budget of  
6 \$20.7 million for 1997, and employs more than 400.  
7 Their gaming agents have the powers of law enforcement  
8 officers. Post-license investigations are constant to  
9 detect any such problem as hidden ownership interest  
10 or organized crime involvement. The enforcement  
11 division of the control board works on a 24-hour, 7-  
12 day week inspecting facilities and equipment,  
13 conducting undercover operations and monitoring work  
14 permits of employees.

15           The control board tests and must approve  
16 all electronic and mechanical gaming devices.  
17 Violation of Nevada gaming laws can result in fines,  
18 temporary revocation of a license, or a permanent ban  
19 from any participation or work in the gaming industry.  
20 Today, Nevada's system of regulation is a model which  
21 this Commission should very carefully consider.

22           There are growing concerns in Congress

1 about the lack of regulation of tribal-run gaming and  
2 the failure by some tribes to abide by laws governing  
3 Indian gaming. I want to make it clear at the outset  
4 that I do not oppose Indian gaming. To the extent  
5 that a state, as a matter of its public policy,  
6 permits any form of gaming within that state, tribal  
7 members within that state are entitled to the same  
8 opportunities.

9 Indian gaming is not a competitive threat  
10 to Nevada's industry. Nevada's gaming industry is  
11 threatened, however, by unregulated gaming anywhere.  
12 In Nevada, compacts have been signed with five Indian  
13 tribes. All five compacts provide that the Nevada  
14 gaming control board will regulate tribal-run gaming  
15 with the regulatory costs paid by the tribes.

16 A far different situation exists, however,  
17 with Indian gaming as a whole throughout this country.  
18 The National Indian Gaming Commission, an agency of  
19 the federal government, is responsible for regulating  
20 Indian gaming. The NIGC is responsible for monitoring  
21 186 tribes in 28 states with 279 gaming operations on  
22 a budget this year of just \$4.4 million and with 33



1 employees -- only 6 field investigators. They freely  
2 admit that they do not have the staff to even look at  
3 the annual audit reports filed by the gaming  
4 operations. This is the regulation of the Indian  
5 gaming industry that in 1996, according to the NIGC,  
6 generated \$6 billion. The law creating the National  
7 Indian Gaming Commission caps at \$1.5 million the fees  
8 which can be collected from Indian gaming operations  
9 for regulation, thus making effective regulation  
10 impossible. Senators Nighthorse, Campbell, and Inouye  
11 have pending legislation to increase the cap to \$15  
12 million, which is just one quarter of one percent of  
13 Indian gaming collections. Now bear in mind that  
14 Indian casinos also pay no corporate taxes on gaming  
15 revenue and are generally not subject to the federal  
16 and state laws governing similar businesses.

17           Illegal Indian gaming is being conducted  
18 in Florida, California, and other states where there  
19 are no signed compacts with the state as required by  
20 federal law. The U.S. Justice Department has done  
21 little or nothing to stop it. In one California case,  
22 a U.S. attorney, in clear violation of the law, told

1 the tribe if they would not bring in any more illegal  
2 machines, they could keep operating the illegal  
3 machines they already had. Florida residents have  
4 repeatedly voted not to allow casino gaming in their  
5 state, yet tribes operate illegal casinos and state  
6 officials are powerless to do anything about it.

7 I urge you to read the recent GAO report  
8 on Indian gaming. Some of the Indian tribes are  
9 running excellent operations which greatly benefit  
10 tribal members. However, there must be effective  
11 regulation on all aspects of the industry.

12 Let me address an issue which the Chair  
13 raised this morning, the subject of Internet gambling.  
14 I hope Congress will pass legislation this year to ban  
15 Internet gambling. It is clear that we are on the  
16 verge of a tremendous surge in this new type of  
17 gaming. It is equally clear there is no effective way  
18 of regulating Internet gaming. Most Internet casinos  
19 are located offshore, beyond the reach of U.S.  
20 regulatory or law enforcement officials. There is no  
21 way to insure that the games are fair, to do  
22 background checks on the operators, or to control who

1 is playing. Gaming over the Internet provides  
2 unprecedented and irresponsible access to gambling by  
3 children, something I think that we can all agree is  
4 a very bad idea. I am co-sponsoring legislation  
5 introduced by Senator Kyl to impose a ban on Internet  
6 gaming. If we hope to eliminate the threat of  
7 Internet gaming, Congress needs to do it now.

8           Let me again stress the importance of  
9 proper regulation on all aspects of the gaming  
10 industry. First, it is good public policy. Second,  
11 scandal in any aspect of the gaming industry will  
12 affect Nevada's casino gaming industry and could  
13 possibly have ramifications for Nevada's tourist-based  
14 economy.

15           In conclusion, my suggestions to the  
16 Commission for how you can best help policy makers and  
17 the public make decisions on gaming related issues are  
18 as follows. Present a fair, accurate analysis of each  
19 form of gaming -- state regulated casino gaming,  
20 gambling on Indian reservations, Internet gambling,  
21 church-sponsored and charitable gambling, and state-  
22 run lotteries. I urge you to factor into this the

1 uniqueness of the casino hotel entertainment industry  
2 as it has developed in Nevada. Thoroughly analyze the  
3 problems of Internet gaming. I believe your analysis  
4 will show that only a national ban can prevent this  
5 from becoming a major problem. Study all aspects of  
6 Indian gaming, including the lack of regulation and  
7 other measures needed to make Indian gaming comparably  
8 regulated as non-Indian gaming. Provide states with  
9 the information they need to adopt proper regulatory  
10 structures. This structure needs to be comprehensive  
11 from the first day of licensing continuing through  
12 each day of operation and covering all owners and  
13 employees and anyone doing business with the  
14 operation. The regulatory system must be adequately  
15 funded and staffed with costs borne primarily by the  
16 industry. In addition, licensee applicants should be  
17 required to prove affirmatively their suitability for  
18 a state license. Do not place the burden on the  
19 state. State governments, not some unwieldy and  
20 remote federal bureaucracy are the best primary  
21 regulators. Provide policy makers with independent  
22 factual information to judge the pros and the cons of

1 the expansion of gaming. Give the industry  
2 constructive suggestions on how to best identify and  
3 help the compulsive gambler. Even though they are a  
4 very small percentage of those who participate in  
5 gaming, problem gamblers need professional care from  
6 those who deal with the problems of compulsive  
7 behavior.

8                   Madam Chair, I would like to thank you  
9 again for the opportunity of affording me this  
10 presentation this morning, and I wish you and each  
11 member of the Commission good work in your  
12 deliberations in the years ahead. Thank you.

13                   CHAIRPERSON JAMES: Senator, thank you for  
14 being here this morning. We hope that this is the  
15 beginning of an ongoing relationship over the next two  
16 years. We look forward to working with you as we  
17 address these very important issues. Any comments or  
18 questions for the Senator before we move on?  
19 Commissioner Loescher?

20                   COMMISSIONER LOESCHER: Yes, Madam  
21 Chairman. Thank you very much, Senator. Thank you  
22 very much for your presentation. Just two points I

1 was wondering about. The term, lack of regulation of  
2 tribal-run gaming and then your discussion about the  
3 underfunding of it. I wonder if the underfunding is  
4 more of your point rather than the lack of regulation.  
5 Because I am knowledgeable that there is extensive  
6 regulation in place and more work going to monitor and  
7 create regulation systems.

8               SENATOR BRYAN: My point, Mr. Loescher, is  
9 based upon my experience in Nevada and the size of our  
10 own regulatory system, which I testified to, that I  
11 believe that it is impossible to effectively and  
12 comprehensively regulate Indian gaming with the  
13 limited staff that they have. Six field investigators  
14 simply isn't adequate, and I believe that Senators  
15 Nighthorse, Campbell, and Inouye have recognized that  
16 by introducing legislation that would lift the cap  
17 that I address and provide for more funding so that  
18 there could be more adequate regulation.

19               It is my sense, and the experience that we  
20 have had, that if you do not regulate gaming, you  
21 invite problems and ineffective regulation is an  
22 invitation for unsavory elements in our society to try

1 to penetrate. That is true whether it is Indian  
2 gaming or non-Indian gaming, and the only effective  
3 antidote to that is an effective, well-funded, and  
4 adequately staffed regulatory system.

5 COMMISSIONER LOESCHER: Madam Chairman,  
6 one more question or comment on your part if I could  
7 secure it is I notice you speak about the Nevada  
8 gaming regulation system and then you talk about  
9 Indian gaming. Do you have any views about the  
10 regulation systems of state governments who are  
11 involved in lotteries and other similar kinds of  
12 things?

13 SENATOR BRYAN: I do not consider myself  
14 sufficiently expert to venture an opinion on that. I  
15 really do not know. In Nevada, we have no state-  
16 sponsored lottery, so I have had no personal  
17 experience. My comments would be more of an opinion  
18 without really an adequate foundation to guide you.  
19 Thank you, Madam Chairman.

20 CHAIRPERSON JAMES: Thank you. Any other  
21 comments or questions? Again, Senator, thank you very  
22 much.

1               SENATOR BRYAN: Thank you very much, and  
2 again, my best wishes to you and to the members of  
3 this Commission.

4               CHAIRPERSON JAMES: Our next speaker is  
5 someone that I have known for quite a while. Frank  
6 Fahrenkopf is President and CEO of the American Gaming  
7 Association, a national association created to address  
8 regulatory, political, and educational issues  
9 affecting the gaming entertainment industry. Many of  
10 you will remember Frank either as a leader or as an  
11 opponent. I remember him as a leader from his years  
12 as national chairman of the Republican Party under  
13 President Reagan. He is a native of Nevada and has  
14 served as a gaming attorney there and in national and  
15 industry organizations. Welcome.

16              MR. FAHRENKOPF: Thank you, Madam Chair  
17 and members of the Commission. Again, I also want to  
18 thank you for the opportunity to spend some time with  
19 you this morning to discuss the important work that  
20 lies ahead of you.

21              In many ways, I personally firsthand know  
22 what lies ahead of you in the next 22 months. I have



1 just completed my first two years as the President and  
2 CEO of the American Gaming Association and during that  
3 two years, I have learned a tremendous amount about  
4 this industry and its social and economic impacts.

5           The gambling industry in this country has  
6 grown dramatically over the last few decades. There  
7 are now state-run lotteries in 37 states and the  
8 District of Columbia, some form of pari-mutuel betting  
9 in 41 states, commercial casinos in 10 states, Native  
10 American Class III casinos in 22 states, and  
11 charitable gambling in 42 states. The entire  
12 industry, as Senator Bryan indicated, employs directly  
13 and indirectly over one million Americans. In 1996,  
14 the entire industry had gross income of \$47.7 billion.

15           The AGA represents only the commercial  
16 hotel casino entertainment industry, which consists  
17 primarily of publicly held companies listed on the New  
18 York, American, and NASDAQ exchanges and which are  
19 closely regulated not only by state and local  
20 government, but again as Senator Bryan indicated, by  
21 the Securities and Exchange Commission.

22           Our segment of the industry employs more

1    than 700,000 people who earned over \$21 billion in  
2    1995. Our casino employees earn an average annual  
3    salary of \$26,000.00 with full benefits. Our gaming  
4    companies paid 12.9 billion in federal, state, and  
5    local taxes in 1995 with over 80 percent of that  
6    number allocated to state and local taxes. From 1993  
7    through 1995, we spent almost \$13 billion on  
8    construction and purchases of property, furniture,  
9    equipment, including improvements and refurbishments.  
10   All told, the casino gaming industry contributed \$22  
11   billion to \$25 billion in total revenues to the  
12   economy in 1995. And certainly when we get the final  
13   numbers for 1996, it will far exceed that. So I think  
14   as you can see, this industry has a significant impact  
15   across the entire economic spectrum of our nation.

16               During my two years, I have also had the  
17   opportunity, as you will, to hear the critics of the  
18   gaming industry firsthand. Their view of gaming bears  
19   no resemblance to the industry that I and a million  
20   men and women who work in the industry know it to be.  
21   The drumbeat of distortions, half-truths, and full  
22   lies as I call them became a part of my daily life

1 over the last two years, and I think it will now  
2 become a part of yours.

3           Gaming critics count on the raw emotions  
4 that tragic anecdotal stories evoke to cover for the  
5 weakness of their factual case. My appeal to this  
6 Commission is very simple. The livelihood of more  
7 than a million hardworking men and women and their  
8 families can be affected not only by your final report  
9 but by how these hearings are conducted. We ask only  
10 for a fair and balanced procedure where facts are  
11 prized and hyperbole is discouraged.

12           Anti-gaming advocates will appear before  
13 this Commission and will make three fundamental  
14 arguments. First, that gaming is immoral. Second,  
15 that it is a predator industry in an economic sense.  
16 And third, that the social costs of gaming exceed any  
17 economic benefit.

18           As for the morality argument, we live in  
19 a wonderful country where divergence of opinion is not  
20 only tolerated but is encouraged. There are some who  
21 find gaming immoral. So be it. Nothing I or we can  
22 say or do will change their minds. And while we

1    respect their right to maintain their opinion as to  
2    morality, the fact is that their views are just not  
3    shared by the vast majority of Americans. According  
4    to a recent study, 176 million visits to casinos  
5    occurred in 1996. That figure, of course, does not  
6    include those millions wagering with state lotteries  
7    or with the pari-mutuel industry. It does not count  
8    the thousands of office and workplace betting pools,  
9    private wagers, those who regularly gamble on the  
10   stock market, and we have had an interesting three or  
11   four days in that arena, or those who bet on the first  
12   tee of golf courses across the country every Saturday  
13   morning.

14                I have also learned over the last two  
15   years that there are numerous myths and stereotypes  
16   about the industry in the public domain. Many of  
17   these myths and stereotypes are perpetuated by those  
18   who are opposed to gambling and whose ultimate goal is  
19   to outlaw all forms of gambling anywhere in this  
20   country. In many cases, opponents have attempted to  
21   manufacture facts to support their views. Now while  
22   I clearly respect the right of every American to

1 express their moral views, I think Senator Pat  
2 Moynihan of New York said it best, and I quote him,  
3 "Everyone is entitled to their own opinion, but not to  
4 their own set of facts."

5               So to prepare a complete and accurate  
6 report, as this statute requires you to to the  
7 President, Congress, and the nations Governors, it is  
8 critical, I believe, that you weigh all of the  
9 evidence presented to you over the next two years and  
10 weigh it carefully. You must attempt to distinguish  
11 between myth and fact.

12              As I said, some critics will claim that  
13 gaming is a predatory industry and that the social  
14 costs of gaming far exceed the economic benefits it  
15 produces. They will allege such things as gaming  
16 increases street crime, that it is responsible for an  
17 increase in U.S. bankruptcies, and that gaming causes  
18 an increase in government payments for Welfare  
19 programs. Most of these allegations, as you will find  
20 if you probe, are based on so-called economic models  
21 that just, in my view, cannot withstand critical  
22 analysis. We believe the vast majority of the alleged

1 economic and social cost deficiencies of the industry  
2 are, in fact, not supported by the facts.

3           These economic models or theories can now  
4 be evaluated through the prism of experience. Because  
5 of the experience of the last four or five years in a  
6 number of states who are new venues, the social and  
7 economic impacts of gaming on state and local  
8 communities can now be examined not by theory but by  
9 the actual results reflected in independently derived  
10 statistical data of state and local governments across  
11 the country.

12           For example, with regard to the predatory  
13 allegations, opponents ascribe to something called the  
14 substitution theory. What they claim is that we feed  
15 off other goods and services. A dollar that is spent  
16 in a casino is a dollar that is not spent in the shoe  
17 store or is not spent in a restaurant. According to  
18 this theory or argument, gaming simply takes from  
19 other established businesses without creating itself  
20 any true growth in the economy.

21           Two recent studies conducted for the AGA  
22 by Arthur Anderson on the economic impact of gaming in

1 the United States concluded that the substitution  
2 theory is just invalid. The Anderson macroeconomic  
3 study -- and by the way, Madam Chairman, I am making  
4 copies of all of this available through your staff to  
5 members of the Commission. The macrostudy establishes  
6 that this argument works only if an economy is static  
7 and real personal incomes do not grow over time. In  
8 fact, the size of the U.S. economy has not been fixed.  
9 Rather, it has expanded over time as new jobs have  
10 been created. Per capita disposable income has also  
11 increased leading to substantial increases in personal  
12 consumption expenditures.

13           Look at the charts in the report very  
14 carefully, because they show that spending on  
15 recreational activities increased from 5 percent in  
16 1970 to 9 percent in 1993, and of this 80 percent  
17 increase in recreational spending, a very small  
18 proportion, less than 5 percent, is due to incremental  
19 spending on casino gaming. Therefore, since other  
20 recreational industries are growing as well, gaming is  
21 not just replacing other industries. And if the  
22 substitution theory economic model were correct, we

1 would not see increases in retail sales and business  
2 growth. Because according to the argument, it is the  
3 same dollar that is now being spent at the casino that  
4 is being taken away from other businesses.

5           Now Arthur Anderson's microstudy, which  
6 examined in detail three new gaming jurisdictions --  
7 Biloxi/Gulfport, Mississippi, Shreveport/Bossier City,  
8 Louisiana, and Joliet, Illinois -- found that there  
9 had been significant positive economic impacts as a  
10 direct result of gaming. The introductions of casinos  
11 has led to growth in employment, retail sales,  
12 commercial and new housing construction and  
13 restaurants, and a decline in public assistance  
14 programs and unemployment rates.

15           As I discuss these important economic  
16 indicators, I will show you a series of charts to  
17 demonstrate the positive economic impact that gambling  
18 has had on these three communities which were examined  
19 in the microstudies. For example, prior to the  
20 arrival of gaming in Biloxi/Gulfport, Mississippi, the  
21 average annual increase in retail sales stood at 3  
22 percent. After gaming arrived in 1992, that growth



1    jumped to 12 percent. The \$2.2 billion in retail  
2    sales during 1996 was an all-time high for the area.  
3    Similarly, in 1994, the year casinos opened in  
4    Shreveport and Bossier City, Louisiana, they  
5    experienced the highest retail sales growth in 11  
6    years. In fact, the percentage of retail sales growth  
7    was higher in both cities during 1994 and 1995 than  
8    the percentage growth of retail sales on the national  
9    level. In 1996, retail sales growth of 5 percent  
10   continued the upward trend. And according to the  
11   Bossier City parish sales and use tax division,  
12   taxable restaurant sales increased 5 percent in 1994  
13   and another 7 percent in 1995 -- increases, by the  
14   way, that do not include sales at casino restaurants.  
15   11 new restaurants opened in Bossier City in 1995.  
16   In Joliet, retail sales were \$3.2 billion in 1995, up  
17   from \$2.4 billion in 1992, the year casinos opened.

18                A separate study of gaming in Tunica,  
19   Mississippi, which you will find in your packets,  
20   found that since casinos opened in 1992, retail sales  
21   have increased by 600 percent. In all three areas  
22   studied by Arthur Anderson, similar growth was seen in

1 commercial and residential construction, auto sales,  
2 hotel and motel revenues, including revenues from non-  
3 casino hotel rooms.

4           A recent report that just came out  
5 conducted by two professors at the University of New  
6 Orleans further debunks the predator theory. Their  
7 research of how local restaurants fared in five  
8 different gaming jurisdictions in the United States  
9 found, and I quote, "When casinos are developed, all  
10 aspects of the local food and beverage business  
11 increased. The number of establishments increases,  
12 the number of people employed increases, and payroll  
13 increases at even a greater rate than the first two.  
14 This growth occurs in both rural and urban communities  
15 alike."

16           The facts just tell the story, I think,  
17 ladies and gentlemen. The predator theory just  
18 doesn't have validity when faced with facts.

19           Now you will also hear arguments from  
20 opponents that social costs wrought by gaming exceed  
21 the benefits. Their argument is fundamentally that  
22 people go into casinos, lose their money, lose their

1 jobs, end up on Welfare or commit crimes, and the  
2 public has to pay the price. That reasoning is also  
3 unsound and is not supported by the facts. One of the  
4 ways we have always judged growth and progress in this  
5 country is by examining the numbers of those who must  
6 resort to public assistance. The lower these numbers,  
7 the better a community and its residents are faring.  
8 Arthur Anderson's microstudy also examined the public  
9 assistance framework in areas where gaming has been  
10 introduced in the last several years, enabling a solid  
11 rebuttal to the anti-gaming argument. The study found  
12 that in Shreveport/Bossier City, AFDC benefit payments  
13 decreased 14 percent in 1995, a year after the  
14 introduction of gaming, and fell another 15 percent in  
15 1996. In 1994, the average number of food stamp  
16 recipients was 56,000. By 1995, that number had  
17 fallen by 15 percent.

18           In the Biloxi/Gulfport area, the average  
19 number of AFDC recipients has dropped steadily every  
20 year since casinos opened in 1992, as have the benefit  
21 payments. And the number of people using food stamps  
22 has declined from 25,000 averaging \$22,000.00 in

1    benefits during 1992 to 21,000, using an average of  
2    \$19,000.00 in benefits in 1996.

3                    In Joliet, Illinois, after a steady  
4    increase every year for the first five years of the  
5    decade, the number of AFDC recipients has dropped by  
6    more than 14 percent since 1994, and the entire county  
7    of Will County has seen the same reduction with regard  
8    to food stamps.

9                    In a separate study of Tunica County in  
10   Mississippi, results showed that since casinos opened  
11   in 1992, AFDC payments have dropped by 55 percent.  
12   Food stamp distribution has declined by almost 80  
13   percent. And child support payments have doubled  
14   because people now have jobs and husbands are making  
15   child support payments.

16                   According to a recent University of  
17   Maryland report, social costs on the Gulf Coast area  
18   of Mississippi as well as in St. Louis, Missouri have  
19   seen little change due to the advent of gaming.  
20   Interviews with social service agencies indicated  
21   modest increases in their demand for services. In  
22   fact, the principle agency providing mental health

1 services on the Gulf Coast reported that no more than  
2 1 percent of its caseload involved gambling problems.  
3 Nor did the officials believe many cases had even an  
4 indirect relationship to gaming activities.

5           In St. Louis, Missouri, the local family  
6 services agencies did not experience an increase in  
7 caseloads as they expected and expressed their  
8 surprise at how little indication they had of any  
9 effect from casinos. And as the Senator noted, this  
10 is a very good place to note that we in the gaming  
11 industry offer greater opportunities than do most  
12 other businesses in this country. As this chart  
13 reflects, a very high percentage of jobs in gaming are  
14 held by minorities and women. In Bossier City,  
15 minorities constitute 56 percent of the work force at  
16 the casinos and women comprise more than half the work  
17 force. In Biloxi, 35 percent of the casino employees  
18 are minorities and 60 percent are women, which is  
19 considerably higher than the average for the area.  
20 In Joliet, minorities constitute 21 percent of the  
21 casino work force and 58 percent are women. In fact,  
22 as Senator Bryan indicated, our industry was

1 recognized at the White House by the President when he  
2 kicked off his new bipartisan Welfare to Work  
3 initiative, and the President also singled out the  
4 industry's achievements at last month's annual and  
5 national Governor's Association meeting in Las Vegas.

6           Now opponents recently have pointed to  
7 increased bankruptcies in the United States and  
8 incorrectly blamed them on the gaming industry. We  
9 sort of take the heat for anything that is going wrong  
10 in society. There is no proven correlation between  
11 bankruptcies and casinos, although this claim has been  
12 widely propagated by anti-gaming advocates and some of  
13 the media. A recent USA Today series that offered a  
14 detailed analysis of the increase in bankruptcies in  
15 the United States listed the two most common reasons  
16 for bankruptcies -- credit card liabilities, which  
17 account for 63 percent of bankruptcies, and job loss  
18 pay cuts which account for 50 percent. Only 2 percent  
19 of bankruptcy filers cited gambling debts as a major  
20 reason for their bankruptcy. Most experts across the  
21 board agree that soaring bankruptcy rates are caused  
22 by the ease in receiving consumer credit today and by

1 relaxed bankruptcy laws. From 1994 to 1996, U.S.  
2 bankruptcy filing rates increased by 41 percent. The  
3 8 states having the highest percentage of increases  
4 were Hawaii, Arkansas, Maine, Vermont, North Carolina,  
5 West Virginia, Pennsylvania, and New Mexico. Out of  
6 these states, one of them, Hawaii, has no legalized  
7 gaming whatsoever, and four of the remaining seven  
8 have no casino gaming in the state.

9           On the issue of crime, although gaming  
10 opponents try to tell you differently, there is  
11 nothing -- nothing inherent in the nature of casino  
12 gaming or in the collective character and behavior of  
13 millions of Americans who enjoy this form of  
14 recreation that causes crime. When crime does go up  
15 in new gaming jurisdictions, as the Senator noted, the  
16 explanation is more often than not that any city that  
17 hosts thousands of new tourists daily is likely to  
18 experience in petty and street crime. Just look at  
19 Orlando, Florida after the opening of Disney World for  
20 a graphic example. In the majority, however, of new  
21 gaming jurisdictions, crime has decreased over time  
22 and dropped well below the rate it was prior to

1 gaming's arrival. One has to look no further than East  
2 St. Louis, where the crime rate dropped an incredible  
3 49.6 percent after gaming was introduced, or Joliet,  
4 where crime dropped 18.2 percent, or Alton, Illinois,  
5 where crime decreased by 2.6 percent, or Dubuque,  
6 Iowa, where crime went down 2.5 percent with the  
7 advent of gaming. In Mississippi, statistics show  
8 that between 1990 and 1994, crime rates were largely  
9 static in areas where there is gambling, while crime  
10 rates in other parts of the state climbed.

11           An important issue, the issue of problem  
12 and underage gambling. It is a subject that is  
13 difficult to quantify, but one that gaming opponents  
14 continually point to, however using flawed statistics.  
15 In fact, the most respected researchers in the field  
16 today acknowledge that there is no single reliable  
17 test for determining what percentage of the public has  
18 a gambling problem and that improved methods for  
19 prevention, education, and treatment are badly needed.  
20 Ladies and gentlemen, that is why the Congress and the  
21 President, in their wisdom, statutorily required this  
22 Commission to have the issue of problem and underage



1 gambling researched and studied by the National  
2 Research Council of the National Academy of Sciences,  
3 where trained physicians, psychiatrists, counselors,  
4 and other experts can, with appropriate peer review,  
5 professionally examine this disorder and report back  
6 to this Commission. And while the industry believes  
7 the number of problem gamblers in the country to be  
8 small, we believe that one problem gambler is one too  
9 many. And because of this concern, the industry has  
10 stepped up its efforts to help address the issues of  
11 problem and underage gambling, identify the extent of  
12 the problem, and then help find solutions that include  
13 not only treatment, but education and prevention.

14               In 1996, the National Center For  
15 Responsible Gaming was formed to fund outside  
16 independent research by leading universities and  
17 research centers on problem and underage gambling.  
18 Housed on the campus of the University of Missouri,  
19 Kansas City, it is the first ever nationwide funding  
20 source devoted solely to the study of problem and  
21 underage gambling. The center will support the finest  
22 peer-review basic and applied research on problem

1 gambling, encourage the application of new research  
2 findings to improve prevention, education, and  
3 treatment strategies, and enhance public awareness of  
4 problem and underage gambling. Funding for the center  
5 is provided by casino companies and overall support  
6 currently totals \$4.485 million over the next 10 years  
7 with more than \$800,000.00 in funding pledged and  
8 available for each of the next three.

9           Madam Chair, in conclusion, the challenge  
10 that lays before you is to find these things out for  
11 yourself. Do not rely on anecdotal evidence, which I  
12 am sure will be presented to you by gaming opponents  
13 starting tomorrow afternoon, as heart-rendering and as  
14 tragic as some of it may be. You must go to the towns  
15 where gambling exists and talk to the people who work  
16 and live in casino communities, particularly casino  
17 employees, local law enforcement officials and the  
18 mayors. You should also get the perspective of some  
19 -- and let's not forget them -- the millions of  
20 typical responsible adults across the country who  
21 enjoy casino gaming as a form of entertainment and  
22 recreation and whose occasional playing of slot

1 machines or blackjack brings no ill-effect on  
2 themselves or others.

3           Gaming just may not be right for every  
4 community. I agree with that. It is not a magic  
5 economic silver bullet. However, if it is made part  
6 of a carefully crafted economic development plan,  
7 gaming can provide jobs, can provide economic  
8 opportunity and infrastructure development, and help  
9 revitalize communities and allow them to prosper.

10           As I wrote to you in a letter, Madam  
11 Chair, during the Cold War, our old boss Ronald Reagan  
12 often said with reference to dealings with the Soviet  
13 Union, trust but verify. That is exactly what I think  
14 this Commission must do. Don't take my word for it or  
15 our word for it and don't take gaming opponents' word  
16 for it. Verify the facts for yourself so that you can  
17 objectively report to the American people what they so  
18 rightly deserve to know. Thank you very much. It has  
19 been a pleasure having an opportunity to discuss this  
20 with you.

21           CHAIRPERSON JAMES: Thank you, Frank. Are  
22 there any questions or comments, Commissioners?

1 Frank, again, thank you for being here this morning.  
2 We look forward to the next two years and our  
3 continued working together as we tackle and resolve  
4 these most difficult issues.

5 MR. FAHRENKOPF: Thank you, Madam Chair.  
6 We are available to assist in any way.

7 CHAIRPERSON JAMES: Thank you. The  
8 Commission will now hear from Rick Hill, who is the  
9 chairman of the National Indian Gaming Association.  
10 This Association, representing more than 150 Indian  
11 tribes, has been involved in the gambling legislation  
12 since it was initially discussed in Congress. We  
13 certainly appreciate your interest and welcome you  
14 here today, Mr. Hill, and look forward to your  
15 comments.

16 MR. HILL: Thank you, Madam Chair. I want  
17 to thank the Commission and the Chair for inviting  
18 NIGA here this morning. There are always a lot of  
19 comments about Indian gaming, some true and some  
20 untrue. Hopefully, with the help of NIGA and the 557  
21 federally-recognized tribes, we are here to share our  
22 knowledge and our information about the truth about

1 Indian gaming. We stand available to provide  
2 information to the Committee.

3           We have a testimony prepared for you and  
4 I have a few short pages here to summarize that  
5 particular testimony for the Commission this morning.  
6 As mentioned, my name is Rick Hill, and I am the  
7 chairman of the National Indian Gaming Association.  
8 NIGA is a non-profit organization established by  
9 gaming tribes in 1985. Membership is composed of 158  
10 sovereign Indian nations and 94 non-voting associate  
11 corporate members. NIGA was formed by tribes to  
12 protect their sovereign governmental rights to support  
13 their gaming economic interests in Congress and  
14 elsewhere.

15           Indian nations are sovereign. We hope  
16 this Commission will respect tribal leadership and  
17 hear from elected tribal leaders who are  
18 representative of the federally recognized Indian  
19 nations. An estimated 450,000 direct and indirect  
20 jobs are provided by Indian gaming, and these were  
21 jobs that were not available 10 years ago.

22           We are here today to comment in regard to

1 Indian nation issues. Indian nations have never  
2 opposed this Commission. Indian nations feel a great  
3 deal of ownership over the establishment of this  
4 Commission. Eight of our recommendations were  
5 incorporated into the final version of the  
6 legislation. A couple of those are that we invited  
7 the Commission to examine tribal regulatory systems.  
8 We hear a lot about how tribes are not regulated. So  
9 we encourage that through the legislative process that  
10 that would be included. The economic impact on the  
11 tribe and the surrounding communities, and also that  
12 there would be a Native American that would serve on  
13 this particular Commission to help people understand  
14 and help protect our interests as this Commission  
15 moves forward. So we have been an active participant  
16 in the development of this legislation, and we are  
17 thankful for that.

18           The initial and primary concern of the  
19 Indian nations is the study to be conducted fairly,  
20 equitably, and unbiased with the appropriate emphasis  
21 on all areas. Certain individuals will attempt to  
22 sway this Commission toward only Indian and Internet

1 gaming. The Commission areas of the study are  
2 enumerated in the legislation. They go beyond just  
3 Indian and Internet gaming. Indian gaming was not  
4 what led Congress to pass this legislation.

5           As the Commission develops its plan of  
6 action, we hope they will keep certain things in mind.  
7 First, Indian governmental gaming is unique and  
8 different from any other form of gaming. Indian  
9 nations exercise rights of sovereignty which predate  
10 the creation of the United States and are acknowledged  
11 in the U.S. Constitution and are recognized in the  
12 United States Supreme Court cases including Cabazon  
13 and Seminole. Any study of Indian nation matters  
14 without considering this jurisdictional framework  
15 would be -- would not be accurate.

16           Second, Indian gaming is a governmental  
17 option. Most Indian nations do not offer gaming.  
18 Approximately two-thirds do not. There are 557  
19 federally recognized tribes and through their  
20 legislative processes 190 have decided to do gaming in  
21 28 states.

22           Third, Indian nations gaming is to

1    increase governmental revenue.   Indian nations are  
2    located in remote areas with little or no other means  
3    to raise governmental revenue.

4                In regard to the Commission's plan of  
5    action, there are three primary areas which  
6    specifically relate to Indian governmental gaming.  
7    The first involves a review of existing tribal  
8    government policies and practices and ordinances.   It  
9    is our hope that the Commission takes time to assess  
10   tribal laws, regulations, and tribal gaming  
11   commissions.

12               The second involves the impact of gambling  
13   on depressed economic areas.   Unemployment in Indian  
14   country is 50 percent, more appropriate to Third World  
15   countries, and it seems to us that it is  
16   unconscionable that this occurs in the United States.  
17   It is our hope that the Commission will examine how  
18   tribal economies have benefitted from Indian gaming.

19               I would like to say that because of the  
20   revenues, there are new schools on our reservations.  
21   There are hospitals and there are daycares and there  
22   are roads and sewers, there are new established police



1 departments. On the whole, things that didn't exist  
2 before these revenues came to our governments for  
3 governmental uses and purposes as are outlined in  
4 IGRA.

5           The third, to the extent which gaming  
6 provides revenues to tribal governments, it includes  
7 possible alternative revenue sources. One grossly  
8 untrue impression is that tribes are earning a large  
9 amount of revenue. A vast majority of tribes only  
10 realize a small amount. It is our hope that the  
11 Commission will examine tribal governmental revenue  
12 increases and tribal revenue uses and some of the  
13 things that I mentioned. There is a myth out there  
14 because Indians now do gaming that all Indians are  
15 rich. That is really far from the truth. There are  
16 really some pretty desperate situations out there. I  
17 would like the Commission to look at that.

18           In regard to visiting Indian nations and  
19 their gaming facilities, the Commission should visit  
20 as many as possible. We hear that the Commission will  
21 only visit the Mashentucket Pequot Foxwood facility.  
22 While the Commission has much to learn there, that

1 casino is not representative of all Indian gaming. I  
2 just might add that I think the Commission would be  
3 remiss if they didn't visit the full range of our  
4 tribal communities and their casinos. There are some  
5 very small operations in Pine Ridge, South Dakota,  
6 where if they create a few jobs and a few dollars --  
7 I mean, a million dollars in net would be a large  
8 amount of money for those folks in the Dakotas and our  
9 medium size casinos in the Midwest somewhere and the  
10 infrastructures providing for tribal governments. And  
11 certainly the Pequot has done an exemplary job in  
12 their facility. But I think for the Commission to get  
13 a full feel of what Indian gaming is about, you really  
14 need to venture into Indian communities and hold  
15 hearings on those areas.

16 I would also add that I think it would be  
17 important - the Indian Gaming Regulatory Act was  
18 passed in 1988, and there are several jurisdictions  
19 where tribal governments haven't been able to realize  
20 compacts. I think that would be important to really  
21 be comprehensive in terms of your looking at Indian  
22 gaming to include those areas where they haven't been

1 able to achieve these compacts and the economic  
2 benefits thereof.

3 NIGA elected tribal leaders and attorneys  
4 with Indian gaming expertise, tribal gaming employees,  
5 and tribal gaming regulators put together a document  
6 to assist the Commission and it is submitted for the  
7 Commission's consideration. We urge you to seriously  
8 examine these recommendations, and I think you will --  
9 I hope you will find them useful and give some  
10 guidance to the Commission.

11 Finally, we wish to express our sincere  
12 disappointment concerning comments made before this  
13 Commission that Indian nation governmental gaming is  
14 unregulated. This was at the first meeting. First,  
15 this is supposed to be an unbiased study. We have  
16 serious concerns that this Commission can conduct a  
17 fair study before any information is even reached or  
18 collected. Uninformed and discriminatory claims are  
19 being made. Second, Indian gaming is the most  
20 regulated gaming in the U.S. Indian gaming is subject  
21 to laws and regulations of federal, tribal, and state.  
22 Involved in regulation and enforcement of Indian

1 gaming are the Federal Government, the Department of  
2 the Interior, the Bureau of Indian Affairs, the  
3 National Indian Gaming Commission, the Department of  
4 Justice, attorneys and the FBI, the Department of the  
5 Treasury, the IRS, and FINCEN. All tribal levels, all  
6 segments of tribal government, tribal councils, tribal  
7 gaming commissions, and tribal law enforcement are  
8 involved in regulation. Through tribal/state  
9 compacts, states are heavily involved in regulation.  
10 Recent information suggests that \$250 million annually  
11 is spent on regulation of Indian gaming.

12           Most tribal gaming commissions have only  
13 one or two facilities to oversee and regulate as  
14 opposed to state commissions which oversee and  
15 regulate hundreds of facilities. To suggest Indian  
16 gaming is unregulated is untrue and an attempt to  
17 unfairly sway the Commission from its fair and  
18 unprejudicial task.

19           I just need to comment before I close on  
20 statements that the Senator made this morning  
21 regarding the illegal activities. A lot of these  
22 things -- I mean, all of these things are in court.

1 So I think it is a rush to judgment and a prejudgment  
2 to not let the disposition of the courts to run  
3 through its course to decide whether these are illegal  
4 or not illegal. These are all matters that are  
5 subject in the court and that would be the appropriate  
6 forum to decide whether these are illegal or not -- or  
7 are legal or illegal. So I think attempts with such  
8 drama about the illegal legalities of Indian gaming  
9 and Indian nations are running rampant and are  
10 irresponsible is really far from the truth. I think  
11 these tribes since 1988 have been working very hard  
12 and spending an inordinate amount of resources trying  
13 to achieve these compacts under the law and have been  
14 stonewalled by certain governors in the United States.  
15 So we want to encourage the Commission to look at  
16 these things and hopefully you will reach the same  
17 understanding that we have through this long ordeal to  
18 achieve lawful compact under IGRA. So I stand ready  
19 to respond to any comments or questions or anything  
20 you would like to offer up, Madam Chair.

21 COMMISSIONER LOESCHER: Madam Chairman?

22 CHAIRPERSON JAMES: Yes.

1                   COMMISSIONER LOESCHER: Thank you very  
2 much, Rick. I appreciate your presentation this  
3 morning. What I would like to request is two things.  
4 One, I have received the comments on the workplan and  
5 I will forward them to the Commission members today in  
6 our work here.

7                   MR. HILL: Thank you.

8                   COMMISSIONER LOESCHER: And also, I would  
9 like to request, if you could, to provide the  
10 Commission with 15 copies of your statement, so that  
11 we could have it during this session.

12                  MR. HILL: Okay. The detail statement is  
13 available, and I think we gave it to some staff here  
14 to be provided to the Commission.

15                  COMMISSIONER LOESCHER: Thank you, Madam  
16 Chairman.

17                  MR. HILL: Thank you, Mr. Loescher.

18                  CHAIRPERSON JAMES: Thank you. Any other  
19 questions or comments?

20                  COMMISSIONER WILHELM: I agree with you,  
21 Mr. Hill, with regard to the importance to the  
22 Commission of visiting not only Connecticut but also

1 other Indian gaming jurisdictions, and I would  
2 appreciate either from you or from Commissioner  
3 Loescher specific suggestions in that regard.

4 MR. HILL: We will be as helpful as we can  
5 in providing the Commission with information as to  
6 areas we think that would lend to the specific study  
7 areas that you are looking at, and I am thankful that  
8 you are in agreement with that to see the full range  
9 of the gaming facilities out in Indian country. Thank  
10 you.

11 CHAIRPERSON JAMES: I would like to remind  
12 the Commissioners that the workplan is, in fact, a  
13 draft. We hope that by the time we finish tomorrow,  
14 we will have the opportunity to incorporate your  
15 suggestions and ideas, first cut. And as a result of  
16 that, if you would give that information and  
17 suggestions and make sure that the Commission has it  
18 as we have those discussions tomorrow, I am sure we  
19 would be happy to entertain them.

20 COMMISSIONER LANNI: Madam Chair, I have  
21 a question of Mr. Hill. Mr. Hill, I think you  
22 indicated that there is a 50 percent unemployment